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UNITED NATIONS CHILDREN'S FUND

STRUCTURE AND FORMAT OF BUDGET DOCUMENTS AND REPORT ON HEADQUARTERS OFFICE ACCOMMODATION

Report of the Advisory Committee on Administrative and Budgetary Questions

1. In accordance with UNICEF Executive Board decisions 1991/17, 1991/29 and 1991/30 (E/ICEF/1991/15), the Advisory Committee on Administrative and Budgetary Questions has considered the following documents:

(a) Proposed format for future global funds programme budgets (E/ICEF/1992/AB/L.1);

(b) Criteria for core versus project posts (E/ICEF/1992/AB/L.15);

(c) Budget format for country programme recommendations (E/ICEF/1992/AB/L.17);

(d) Revisions to the budget format for the administrative and programme support budget (E/ICEF/1992/AB/L.14);

(e) Structure and format of income projections (E/ICEF/1992/AB/L.13);

(f) Structure and format of the financial medium-term plan (E/ICEF/1992/AB/L.12);

(g) Review of UNICEF job classification system (E/ICEF/1992/AB/L.16);

(h) Recovery of costs for prorated project posts and incremental field overheads on supplementary-funded programmes (E/ICEF/1992/AB/L.8).

The Advisory Committee also considered the report on headquarters office accommodation (E/ICEF/1992/AB/L.9) in accordance with UNICEF Executive Board decision 1991/27 (E/ICEF/1991/15). During its consideration, the Committee received additional information from representatives of UNICEF.

2. The Committee recalls that in its last report (E/ICEF/1991/AB/L.10, paras. 2-6 and 22) 1/ it stated its belief that there should be a clear reference to the UNICEF programme in the explanation of the estimates, especially as it relates to changes, and how the priorities and proposed increases relate to programme priorities and the long-term objectives of UNICEF. Furthermore, the Committee was of the view that the UNICEF practice of charging administrative and support posts to different sources of funding makes it difficult to ascertain the full administrative costs of the Fund.

3. The Executive Board, in its decision 1991/30, noted the concern expressed by the Advisory Committee and requested the Executive Director, in close consultation with the Advisory Committee and a reference group to be nominated by the Bureau:

> "to carry out an in-depth study and analysis of the structure and format of budget documents, including such substantive elements as the financial plan including income projections, programmes and budgetary expenditure and cash balances, with a view to simplifying and improving their representation, setting them on a consolidated basis and making full use, as appropriate, of the expertise of other United Nations agencies."

4. The Advisory Committee undertook a careful and detailed examination of the format of the UNICEF budget documents listed in paragraph 1 above. The Committee notes that the Executive Board is dealing with important policy documents with far-reaching implications on the planning, management and implementation of the UNICEF programme based on recommendations of the Advisory Committee which were endorsed by the Board at its 1991 session. The Committee commends the Reference Group and UNICEF and welcomes the work done thus far on the budget format, especially with regard to global funds.

5. The Committee notes that the quality of the documents varies; the presentation on global funds is quite substantive, while other documents such as those on the criteria for core versus project posts and on the review of the job classification system are not very specific, for example on the scope and degree of the changes that are being proposed. The Committee notes that these documents do not clearly indicate the changes in policies, such as the application of criteria for the identification of core posts versus project posts or the reclassification of posts, and make it difficult to analyse these changes and their impact on management and costs. The Committee is of the view that the reports should have been better structured, with cross-references, a comparative analysis of previous and proposed policies, as well as specific conclusions and recommendations and their implications on the UNICEF programme.

Proposed format for future global funds programme budgets
(E/ICEF/1992/AB/L.1)

6. The Committee recalls that the Executive Board requested the Executive Director in decision 1991/17:

> "to consider reducing the number of separate funds through, inter alia, merger or consolidation of those with similar objectives or characteristics; ... to submit to the Board consolidated reports and proposals for approval of programme support funds, global reserves and interregional programmes, including disaggregated data on current and prospective staffing at headquarters and in the field, so as to enable a comprehensive overview of UNICEF requirements and activities in these areas."

The Executive Board further requested the Executive Director in decision 1991/30 to present to the Board through the Advisory Committee at its 1992 session "a review of the presentation of all global programme support funds, global reserves and interregional programmes, taking account of the Board's intention that their administrative and personnel implications be considered in the context of the budget".

7. The Committee notes with satisfaction that the global programme budget document will replace approximately 17 to 20 documents that have been presented to the Executive Board for global funds in the past, a first step towards enhancing clarity and transparency in the presentation of budgetary information on these funds. According to the existing set-up of global funds (para. 6), the current 17 global funds include 2 programme support funds, namely the Interregional Fund for Programme Preparation, Promotion and Evaluation (IFPPE) and regional IFPPE; 4 global programme reserves, including the Emergency Reserve Fund; and 11 interregional and regional programmes. In this connection, the Committee was informed that the proposed streamlining and merging of all UNICEF global funds into four principal funds has not taken place yet and will be carried out following Board approval of a report on global funds at its 1992 session. The Committee regrets that the related report to the Executive Board, "Reorganization and consolidation of global funds" (E/ICEF/1992/L.10), was not available to the Committee when it reviewed the matter.

8. The Committee notes that under the proposed reorganization, all global programmes will be consolidated under the heading "Programme Funds for the 1990s Goals", and further restructuring and consolidation of these funds and their complementarity and links with IFPPE are under review (paras. 111 and 113). In view of the need to keep the number of separate and special-purpose funds to the minimum necessary, and bearing in mind the request of the Executive Board to reduce the number of funds through merger or consolidation (see para. 6 above), the Committee trusts that the Executive Board will consider urging UNICEF to expedite the streamlining of these funds with a view to improving planning and implementation of the related programmes in a more cost-effective manner.

9. With regard to the objectives of these funds (para. 9 (a)), the Committee notes that global funds are intended, inter alia, "to provide additional programme resources to countries for the introduction and acceleration of actions in priority areas of UNICEF programmes in the middle of a normal five-year programme cycle". The Committee is of the view that the Executive Board may wish to consider whether a change of priorities should necessarily require separate global funds or whether revised allocation ceilings in the respective country or other programmes might not be the best alternative.

10. The Committee notes that each programme submission of global funds will contain an introduction covering a situation analysis and indicate purpose and objectives, strategies for achievement and programme budget and staffing needs (para. 19). In this connection, the Committee reiterates that any programme change, in particular a proposed increase or reclassification of posts, needs to be well justified in the budget document submitted to the Executive Board (see para. 2 above). The Committee further notes that the administrative and programme support budget and the global funds budgets should contain staffing tables, indicating all changes in core and project posts with a detailed explanation in the context of the organizational structure and the requirements of the UNICEF programme similar to the description and annexes of the budget document provided to the Governing Council of the United Nations Development Programme (UNDP).

11. With regard to the Emergency Programme Fund (para. 23 (f)), the Committee notes that "owing to the very nature of emergencies, the amount of detail will be very limited when this fund is proposed". Considering the magnitude of current emergency programmes and the $7 million ceiling of the fund in 1991 (para. 142), the Committee is of the view that the presentation should contain precise background information covering emergencies during the previous biennium to enable an assessment of projected future requirements.

12. The Committee notes that the global funds programme support budget will be on a biennium basis for budgeting and accounting purposes (para. 30), thus permitting a two-year financial period for the approved/revised and proposed budget pursuant to the request of the Executive Board in decision 1991/17; the budget tables in the document will also be on a biennial basis, showing the linkage between the global funds programme budget and the administrative and programme support budget (para. 24). The Committee trusts that the biennial budget cycle of the UNICEF budget will enhance consistency and coherence in the presentation.

13. The Committee notes that the linkage between administrative and programme support budget and global funds budgets in the documents is mainly presentational and steps should be taken to establish an operational linkage. In view of the foregoing, the Committee is of the view that there is a need for consolidation and that the eventual submission of one single budget document, containing the administrative and programme support budget and the global funds programme budgets, would make the presentation more coherent.

14. The Executive Director should be authorized to transfer, within his authority, up to 10 per cent of appropriated amounts among activities within each of the four global funds, while transfers above 10 per cent or between funds would require Board approval in the context of revised estimates (para. 41).

15. The Committee notes with regard to regional funds under chapter 3 of the programme budget document (para. 23 (d)) that project posts for regional offices will be presented to the Executive Board for information; furthermore, only project posts at headquarters will be presented to the Board in the proposed budget for approval (paras. 28 and 40). The Committee recommends that the establishment of programme support posts at regional and country offices which manage regional and global funds should also be approved by the Board through the Advisory Committee pursuant to the proposed approval process of global funds (see para. 16 below) with a view to exercising budgetary control on such posts.

16. As to the approval process of global funds (paras. 36-39), the Committee recalls that in view of the continued increase of IFPPE posts at headquarters, the Committee recommended in its last report (E/ICEF/1991/AB/L.10, para. 49) 1/ that the administrative and financial aspects of the IFPPE budget should be submitted to the Executive Board through the Advisory Committee. The Committee notes that both the programme support and administrative budget and the global funds programme budget will in future be submitted to the Board through the Advisory Committee. In this connection, the Committee points out that the approval process of the UNICEF budget and the role of the Advisory Committee in the review process are not limited to the establishment and change of posts (paras. 37 and 38).

17. The Committee stresses that the objectives and all other components of the programmes under global funds should be clearly indicated in the budget document to enable an assessment of the requirements in the light of the purposes of each fund.

18. According to the Programme Fund for the 1990s Goals (para. 115), the specific activities and allocations to field offices cannot be presented in advance since the funds are designed to respond to new needs and opportunities in the countries as they arise during the course of an approved programme cycle and therefore a lump-sum country allocation for each fund is proposed. The Committee was not fully convinced that such activities and allocations cannot be projected on the basis of previous years and expresses its concern that field offices are allocated a lump-sum for each fund without an indication of the scope and objectives of the programmes. The Committee believes that the major activities under the Programme Fund for the 1990s Goals should be planned for each country and cost estimates established on a biennial basis like all other programmes which may be revised during the biennial cycle of the fund.

19. With regard to the Bamako Initiative, for which over $70 million have been committed by UNICEF to country action (para. 122), the Committee notes that "it is a major venture of historic importance which, if successful, could change the whole shape and form of basic health care services which need not be limited only to low income countries. In view of the stakes involved, it was decided that the Bamako Unit be located in New York under the direct supervision of senior management" (para. 132); the Committee is of the view that such a statement does not justify that this large programme needs to be administered from headquarters, bearing in mind that projects should be carried out in the field (see para. 21 below).

20. The Committee notes that the statistical data contained in the annexes to the document make the analysis of global funds more comprehensive and transparent, in particular the charts, showing the percentage of global funds for headquarters and the field against total programme expenditure by general resources and supplementary funds and the percentage of staff costs against all other costs. The Committee believes that it can be further improved through more concise information and consolidation of the tables and charts.

Criteria for core versus project posts
(E/ICEF/1992/AB/L.15)

21. The Committee recalls that in its last report (E/ICEF/1991/AB/L.10, paras. 500-52) 1/ it noted that no information was provided on the criteria for conversion of headquarters posts to core funding or other sources of funding. The Committee further noted that the number of headquarters posts prorated to supplementary-funded projects had more than doubled since 1988-1989 and that the total number of project posts at headquarters had increased rapidly from 1982 to 1992, at a rate 10 times higher than in the field. The Committee therefore recommended that this high rate of growth should be discontinued and that:

> "a thorough review of this question be undertaken by the administration with a view to identifying all project functions and related posts for transfer to the field. As a general rule, there should be zero growth of project posts at headquarters. The Committee points out that unless policy measures are taken urgently, UNICEF will continue to face a disproportionate increase in costs at headquarters at the expense of project delivery in the field. UNICEF will also face serious problems of accommodation."

The Executive Board emphasized in decision 1991/29 "the nature of UNICEF as a field-oriented fund and the need for an efficient and productive use of available resources, especially by restraining growth of its administrative expenditures, particularly at headquarters, ... bearing in mind that resources should be used primarily for programme activities" and requested the Executive Director to study and report on the criteria to decide, in particular at headquarters, which posts should be financed from core or other funds.

22. The Committee believes that the reduction of core posts at headquarters over the last years (para. 4) appears to be a result of the conversion of a number of core posts to project posts and their disproportionate increase at headquarters. The Committee notes that "a number of project posts also had to be stationed at headquarters to assist in the planning, direction and coordination of large programmes funded from supplementary funds" (para. 5). The Committee is of the view that coordination, planning and direction are programme support functions; furthermore, some of the functions listed under IFPPE (para. 6) relate to backstopping and the related posts are also programme support posts rather than project posts. In this connection, the Committee reiterates that the emphasis in the distinction of core versus project posts should be the functions of the posts and not the source of funding.

23. The Committee notes that according to this document (paras. 19 and 38), posts performing representation are core functions, while in the document on the UNICEF job classification system (E/ICEF/1992/AB/L.16, para. 22) posts representing UNICEF are graded as L-6 or L-7 project posts. Upon inquiry, the Committee was informed that all representative functions of UNICEF will be classified as core functions.

24. The Committee reiterates with regard to the approval of project posts at UNICEF field offices (para. 23) that the approval should be connected with the project budget and a specific time-limit be established for the related posts according to the implementation target of the project.

25. According to table 1, in 1992 a total of 2,099 core posts (560 at headquarters and 1,539 in the field) at UNICEF have been charged to the administrative and programme support budget. The Committee reiterates its view, as indicated in its last report (E/ICEF/1991/AB/L.10, paras. 4, 21 and 22) that the proportion of the administrative budget in relation to UNICEF total expenditure is high and expects that the proposed realignment of posts will substantiate these costs and every effort will be made to achieve a more cost-effective programme delivery. The Committee will review the matter when it considers the estimates for 1994-1995 along with the global funds budgets (see para. 21 above).

26. The Committee points out that this document does not indicate clearly the changes in the application of criteria for core and project posts and that it is difficult to assess the proposals. The Committee notes that the criteria for the definition of project posts (para. 24) are broad and that this categorization of posts may have contributed to the large increase in the number of project posts at headquarters and in the field (para. 25). In this connection, the representatives of UNICEF recalled that the Executive Board had decided to defer implementation of its decision 1991/29 concerning its request for a comprehensive review of existing project posts and the criteria for their establishment at headquarters until its 1993 session.

27. According to the proposed criteria for core posts (para. 38), the Executive Director proposes that "the basic core functions of any UNICEF

office should be in the areas of representation/management, programme, operations and external relations". As regards the exceptions in unusual circumstances, the Committee is of the view that the few exceptions should not be formalized in the definition of the criteria for core posts and that the definition can be further refined, bearing in mind the principle that core functions should be financed from the administrative and programme support budget and from the 6 per cent surcharge from supplementary funds pursuant to Executive Board decision 1991/29, paragraph 1 (a).

28. The Executive Director proposes the following four categories of project posts (paras. 41-47):

(a) Technical support, expertise and services to plan, implement, monitor, evaluate, improve and strengthen programme/projects on the basis of programme needs and staff costs charged to country programme budgets at the country level and to global funds at regional and headquarters offices;

(b) Project posts related to the 6 per cent recovery on supplementary funds on the basis of their funding source while performing core functions (see paras. 50-55 below);

(c) Extrabudgetary project posts;

(d) Posts in district sub-offices within a country that has a UNICEF core office as integral part of the implementation of the area-based country programme.

As to the first category, the Committee notes that strengthening of a programme (para. 41) does not necessarily need to be a project function. The Committee was informed that donor agreement is required for project implementation at all stages, including the proposed level of posts financed from supplementary funds (para. 43). The Committee is of the view that the posts related to the recovery on supplementary funds in the second category (para. 44) and the extrabudgetary posts in the third category, especially those related to procurement services (para. 45), which are defined as project posts on the basis of their source of income, are actually programme support posts. As to the fourth category of posts in district sub-offices (para. 46), the Committee recommends that the study should also indicate whether these posts need approval by the Executive Board.

29. With regard to the proposed reorganization of the Programme Division into four or five advisory clusters (paras. 49-51), the Committee cautions UNICEF against compartmentalization, which does not necessarily enhance efficiency, and recalls its observation (E/ICEF/1991/AB/L.10, para. 27) 1/ that "before approving the establishment of new organizational units at headquarters, the Executive Board should ascertain beyond a reasonable doubt that the related functions could not be carried out by existing units". The Committee was also not fully convinced of the categorization that the heads of the advisory clusters perform only core functions, while all other staff in these units perform project functions.

30. In view of the Committee's observations in paragraphs 21 to 29 above, the Committee is of the view that a large number of project posts at headquarters are actually project support posts which should be financed from the administrative and programme support budget. The Committee believes that the current procedure, especially the classification of project posts related to the 6 per cent recovery on supplementary funds which perform core functions, leads to an underestimation of the actual administrative and programme support costs of UNICEF.

31. The Committee is of the view that supplementary and global funds operations should be charged a fair share of the administrative and programme support costs incurred by UNICEF in managing the related operations. But it is misleading to classify such charges as project costs. The Committee trusts that this question will be examined further with a view to clearly identifying functions to be financed from approved administrative and programme support funds. The Committee points out that this study should clearly relate to programme support, taking into account that project posts should be identified with specific projects.

32. The Committee expects that the new criteria will be applied consistently to all posts at headquarters and in the field (para. 48 (b)) and should have a major impact on the categorization of posts, in particular at headquarters - namely regularization of a large number of headquarters project posts performing programme support functions and transfer of project posts from headquarters to the field where projects should be carried out (see paras. 19 and 21-25 above).

Budget format for country programme recommendations (E/ICEF/1992/AB/L.17)

33. The Committee recalls that in its last report it noted that there was no indication of how the priorities and the increases proposed in the budget document relate to programme priorities and the long-term objectives of UNICEF, and that there should be a clear reference to the programme in the explanation of the estimates (see para. 2 above). The Committee notes that pursuant to the request of the Executive Board in decision 1991/30 to study the usefulness and feasibility of presenting staffing and administrative costs together with programme proposals, table 4 in this document shows the linkage of the programme budget and staffing/staff costs for each country (see para. 13 above).

34. The Committee commends UNICEF for the improvement in the format for country programme recommendations, a subject which is within the purview of the Executive Board. The Committee observes that the revised budget format shows more clearly the implications of the proposed programme by major programme sector and funding source for staffing covering all posts in the international Professional category and costs for international Professional and local staff as well as the operating costs of the administative and programme support budget. With regard to table 2, the Committee recommends

that an indication should first be made of the planned general resources and supplementary funding, followed by an indication of the actual amounts. The Committee notes with satisfaction that all post authorization tables for country offices on the basis of programme priorities and funding needs will in future be submitted to the Advisory Committee in the context of the biennial estimates for global funds (para. 11).

35. The Committee notes that the preparation of country programmes takes place during a period of 18 months to two years, while the duration of country programmes is generally four to five years; there is a mid-term review in all countries when changes can be made. The Committee was informed that in the event that more contributions in general resources are received, UNICEF, inter alia, increases the annual country ceilings to accelerate the implementation of planned activities.

Revisions to the budget format for the administrative and programme support budget
(E/ICEF/1992/AB/L.14)

36. The Committee recalls that the Executive Board requested the Executive Director in decision 1991/30 to present to the Board at its 1992 session, through the Advisory Committee, a study on presenting staffing and administrative costs together with programme proposals, with particular emphasis on clarity and transparency. The Committee notes that as a result of the proposal to present global funds and country programme recommendations within the context of programme budget formats and in order to distinguish the core budget from other budgets, the Executive Director proposes that the next submission be entitled "Administrative and programme support budget: revised budget estimates for the biennium 1992-1993 and budget estimates for the biennium 1994-1995" (para.4); the presentation of the administrative and programme support budget by organizational structure will be maintained, while the global funds budgets will be presented by programmes and activities under each fund (para. 5).

37. Pursuant to Executive Board decision 1987/5 (E/ICEF/1987/11), as recommended by the Advisory Committee, it is proposed to include computer equipment in the general operating cost category of the budget as expenditure in the year the equipment is acquired (para. 9). The Committee concurs in the proposal on the understanding that it is presented as a separate line item and detailed by division and field offices. The Committee notes that there is a need for harmonization of the terminology with that used at the United Nations.

38. With regard to the linkage between the global funds programme budgets at headquarters and the administrative and programme support budget, the Committee notes that the estimated general operating costs include the impact of core and project staff, taking into account the total number of staff working at headquarters in estimating rent, maintenance, utilities and other administrative costs (para. 12). The Committee further notes that the

information on posts for all divisions is being revised to include "general resources - global funds" and "supplementary funds - global funds" as separate sources of funding which will be linked with the information on posts in the proposed global funds programme budget (see para. 13 above). A new annex will contain a list of all changes in international Professional posts financed from the administrative and programme support budget and headquarters posts charged to supplementary funds (para. 16); the Committee reiterates that any proposed changes in posts should be well justified (see para. 10 above).

39. With regard to the summary of international Professional post reclassification (annex II), the Committee expects that the Executive Director will justify all proposed reclassifications, indicating clearly the change in functions of each post in the context of the organizational structure of the respective headquarters unit or field office (see paras. 10 and 38 above). The Committee notes that the proposed changes in the comparison of objects of expenditure (annex IV) are minor and the budgetary information should be harmonized in accordance with the recommendations of the Consultative Committee on Administrative Questions. The Committee believes further that the information on project posts at headquarters locations (annex V) should be consolidated in listing identical posts in the same unit in one line.

Structure and format of income projections
(E/ICEF/1992/AB/L.13)

40. The Committee recalls that in its last report (E/ICEF/1991/AB/L.10, para. 19) 1/ it noted that the income projections for 1990-1994 need further substantiation by providing additional information such as pledges received at the most recent pledging conference and the last income performance in comparison with previous years. The Committee recommended that future budget documents should contain more up-to-date information to justify the extent to which projected income is assured and attainable. The Executive Board requested the Executive Director in decision 1991/30 to present to the Board, through the Advisory Committee, at its 1992 session a study of the projected rates of income in comparison to estimated programme expenditures, with consideration of the relationship between this and the liquidity reserves. In this connection, the Committee was informed that the information on income projections will be included in the financial medium-term plan and the full financial plan will be submitted to the Executive Board every year.

41. The Executive Director states that there has been an increasing tendency among major donors not to announce their pledges at the annual pledging conference and UNICEF had to rely upon a donor's history of contributions (para. 10). The Committee recalls that for a number of years it has reiterated the necessity of following strictly the established procedure of including in the estimates only such income as is clearly "assured and attainable", and this has been defined as funds received or pledges confirmed in writing at the time of the budget submissions. The Committee trusts that UNICEF will continue to ensure that sufficient funds are available to cover its estimated expenditures during the proposed biennium, thus avoiding any

uncertainty with regard to projected income or a possible shortfall. The Committee was informed that in case of a shortfall that is not due to exchange rate fluctuations, the Executive Director would submit revised budget estimates.

42. Upon inquiry, the Committee was provided with the information on the year-end UNICEF cash balance for general resources and supplementary funds from 1982 to 1991. The Committee recommends that the budget document should contain a table, indicating the year-end cash balance for general resources and supplementary funds during the previous five years and projections for the current medium-term plan pursuant to the request of the Executive Board in decision 1991/30 (see para. 44 below).

Structure and format of financial medium-term plan (E/ICEF/1992/AB/L.12)

43. The Committee recalls that the Executive Board requested the Executive Director in decision 1991/30 to carry out a review of the format of the medium-term plan with respect to budgetary issues, and to make proposals for improvement, including tables and charts, with a view to enhancing clarity and transparency.

44. The Committee recalls that the Executive Board approves the financial medium-term plan as a framework for the programme and budget proposals; all proposed expenditures in the plan are subject to separate Board approval and the availability of resources (para. 11). With regard to income projections under the medium-term plan, the Committee is of the view that in order to assess the current financial medium-term plan, information about the actual income from general resources and supplementary funds during the previous five years, including the annual growth rate, would be useful (see para. 41 above). The Committee believes that any actual and planned changes from the medium-term plan in terms of availability of resources and change of programme priorities and their impact on future budget estimates should be clearly justified in the budget document, thus linking the medium-term plan and the biennial budgets.

45. In view of the projected substantial increase in total expenditure from 1990 to 1995 (figure VI), the Committee observes that more specific information is required about the basis of the projected income such as concrete indications from donors about future contributions. The Committee notes that the new charts illustrate clearly the financial performance during the previous year by source of income and related expenditures as well as the corresponding cash balances. The Committee trusts that the financial medium-term plan and up-to-date-income projections will in future be submitted on time to enable the Committee to take the information into account when it examines the budget proposals of the Executive Director.

Review of the UNICEF job classification system
(E/ICEF/1992/AB/L.16)

46. The Committee recalls that in its last reports (E/ICEF/1989/AB/L.9, para. 28, and E/ICEF/1992/AB/L.10, para. 36), it pointed out that:

> "the continued change in the distribution of grades at UNICEF is showing a trend towards 'grade-creep', resulting in a shift upwards in the average grade of staff and a trend to a top-heavy organization. The Committee points out that the phenomenon of grade-creep in UNICEF is accelerating and that the average grade level of UNICEF International Professional core posts in 1992-1993 will be P-4, step 5."

The Committee therefore recommended restraint in the practice of upgrading staff, in particular at headquarters, and recommended against the proposed upgrading of a number of posts, especially at the senior level. The Executive Board requested the Executive Director in its decision 1991/30 to carry out a review of the criteria used for grading UNICEF staff, in particular at the D-1 and the D-2 levels, with emphasis on clarity and transparency, and to present it to the Board through the Advisory Committee at its 1992 session.

47. According to the current job classification procedures (paras. 10-15), there is a technical and a panel review for Professional posts (P-1 to P-5) and General Service posts, while D-1 and D-2 posts are reviewed by the Senior Staff Review Committee. The Committee was informed that in future all posts would require an authorized job description. In this connection, the Committee notes that the Executive Director has the authority to approve proposed reclassifications of posts; in the 1991-1992 biennium the Executive Director endorsed all but one (para. 8).

48. The Committee takes note of the results of the classification exercise. The Executive Director states that during the 1990-1991 biennium, 164 Professional posts were upgraded and incumbents of 76 higher-level posts were promoted in these posts (para. 9); the Committee has noted that the number of upgradings during only one biennium is high. Bearing in mind the need to exercise maximum restraint in submitting proposals for reclassification of posts, the Committee reiterates that care should be taken that there is no "grade-creep", in particular at the D-1 and D-2 levels. The Committee is of the view that a post should not be classified because the incumbent needs to be promoted or to attract particular individuals by recruitment. The Committee cautions UNICEF that upgrading of a post does not necessarily require that other similar posts elsewhere should also be upgraded and that posts below an upgraded post should also move upward. The Committee will review this matter when it considers the revised 1992-1993 budget estimates and the 1994-1995 estimates.

49. The Committee notes that a substantive review of the criteria for classification of posts at the D-1 and D-2 levels at headquarters locations has been carried out on the basis of new criteria in accordance with existing International Civil Service Commission standards (paras. 18-22). The

Committee trusts that this exercise will result in a reduction of the current 55 posts at the D-2 and D-1 levels at headquarters locations (para. 20).

Recovery of costs for prorated project posts and incremental field overheads on supplementary-funded programmes
(E/ICEF/1992/AB/L.8)

50. The Committee recalls that the Executive Board requested the Executive Director in decision 1991/29 to submit to it at its 1992 session a comprehensive review of existing project posts and the criteria for the establishment of prorated project posts, including a review of the adequacy of the 6 per cent surcharge reserved to recover administrative, personnel and operating costs.

51. The Committee notes that the recent large increase in contributions for emergency programmes has significantly increased the workload in UNICEF and that there has been a relative reduction in contributions for non-emergency supplementary-funded programmes. As a result, there is need to expand the current recovery policy to reflect the additional requirements of emergency programmes. The Executive Director therefore recommends that in addition to the current 6 per cent recovery rate to all supplementary-funded programmes, the same charge should also be made on all emergency supplementary-funded programmes, excluding those funded by National Committees for UNICEF, non-governmental organizations (NGOs) and host Governments funding their own programmes.

52. The Committee was informed that the interest income earned by unexpended supplementary funds and credited to general resources for the portion of administrative services and programme support costs attributable to supplementary-funded programmes in 1991 amounted to approximately $20 million (para. 5).

53. The Committee notes that supplementary-funded projects are charged specifically with the travel and per diem costs related to missions of core staff for the preparation, monitoring and evaluation of supplementary-funded projects (para. 6 (b)); the Committee is of the view that the purpose of these missions and the scope of the related activities need more elaboration to justify this charge.

54. The Committee notes further that the criteria for the establishment of prorated project posts (paras. 24 and 25) should be based on a thorough analysis of the workload relating to the implementation of all supplementary-funded programmes and any proposal for additional prorated project posts should be justified according to a specific increase in workload. In this connection, the Committee recalls that the recovery policy is not limited to the establishment of prorated project posts, but covers all related activities and resources involved in the management of supplementary-funded programmes.

55. Considering the significant increase in administrative, personnel and operating costs relating to all supplementary-funded programmes over the last years, there is an urgent need to expand the current recovery policy to meet the additional requirements of UNICEF to finance prorated project posts and field overheads related to the implementation of such programmes. The Committee is of the view that it does not seem unreasonable for the Executive Director to assess the level of UNICEF support to National Committees and NGOs with a view to determining whether an appropriate recovery rate should also be applied in these cases.

Report on headquarters office accommodation
(E/ICEF/1992/AB/L.9)

56. The Committee recalls that it recommended on 5 March 1990 that the Executive Director should submit a document to the Executive Board requesting a policy decision on the rental of premises outside UNICEF House and should seek the concurrence of the Advisory Committee on the actual terms of the lease. The Executive Board then requested the Executive Director to submit through the Advisory Committee to the Board in 1991 an analysis of UNICEF headquarters office requirements, including current and future space needs, alternative locations, estimated costs and a statement of rental policies. The Committee noted in its 1991 report (E/ICEF/1991/AB/L.10, para. 64) 1/ that the survey of additional office space was limited to rental costs of other buildings in the New York area and recommended that:

> "a market study should be prepared, including a cost-benefit analysis of the real estate market in New York and surrounding areas, comparing the purchase price and rental costs of suitable buildings. The Committee notes that all possible options for UNICEF headquarters accommodation should be evaluated before a long-term policy decision is taken by the Executive Board, taking into account the substantial costs involved, the long-term investment and asset of headquarters property compared to largely increasing rental costs and the implications for the effective management and operation of UNICEF from one central office location."

57. The Executive Board requested the Executive Director in decision 1991/27 to present to the Board at its 1992 session a proposal for a cost-effective, long-term office space strategy for central headquarters, including options, with reference in particular to growth, functional and operational decentralization and location, taking into account the long-term staff projections, organizational structure and operational needs and possibilities of securing long-term office requirements, in particular leasing, direct purchase, mortgage purchase or purchase of land and construction options, providing as accurately as possible the comparative short- and long-term cost requirements.

58. The Advisory Committee notes that the consultants have made a detailed study, as a result of which substantial savings can be made, whatever option is chosen (table 17). The conclusions and comments of the Executive Director

on the three options are contained in paragraphs 104 to 111 and his recommendations in paragraph 112 of his report.

59. The Executive Director stated before the Committee that as a result of the real estate study, UNICEF had received very attractive offers to relocate its headquarters from UNICEF House outside the United Nations Development District, namely to Westchester County (proposal No. 20) or the Borough of Queens in New York City (proposals Nos. 10 and 21). The estimated financial implications of such a relocation are indicated in tables 12 and 13 of the report. The Committee notes that the estimated savings compared with the base case (revised case) from 1991 to 2010 would be $99.3 million ($76 million) for Westchester and $92.9 million ($69.6 million) or alternatively $46.3 million ($23.0 million) for Queens; all three proposals offer UNICEF the opportunity to own the properties after the lease term.

60. The Executive Director further stated that in view of the above offers and possible relocation of UNICEF headquarters, the United Nations Development Corporation (UNDC) and the New York City Economic and Development Corporation (NYCEDC) made a joint offer to UNICEF, resulting in savings of at least $30 million (paras. 31 and 39).

61. With regard to a possible relocation, the Executive Director noted that a long-term strategy for UNICEF headquarters accommodation cannot be based solely on financial terms, but should also take into account the historical value of close proximity to the United Nations Secretariat, UNDP and the permanent missions to the United Nations, the identity of UNICEF House and the disadvantages in communication, transportation as well as public relations. The Committee was not fully convinced of the disadvantages of relocating headquarters, taking into account the possibilities of modern communication technology.

62. The Committee notes further that UNICEF is now operating from three headquarters buildings (UNICEF House, 1 Dag Hammarskjold Plaza and the Greeting Card and related Operations office) and is proposing to rent an additional 15,000 gross square feet on a short-term basis to accommodate the projected growth until a long-term solution has been implemented (para. 112). Considering that the space in UNICEF House is limited, the Committee notes that, in view of the projected annual growth of about 3 per cent, UNICEF will have to continue renting additional office space in one or two other buildings in New York if it remains at UNICEF House. In this connection, and with regard to option 2, the Committee recalls that UNICEF should bear in mind the implications for the efficient management and cost-effective operation of UNICEF from one central office location (see para. 56 above).

63. Considering that the question of UNICEF headquarters office accommodation has been studied since March 1990, the Committee regrets that the Executive Director is not in a position to propose to the Board at its 1992 session a long-term solution and intends to report back in 1993. The Committee notes that the negotiations with UNDC and NYCEDC with regard to their lease extension ownership proposal for UNICEF House are ongoing and that the costs

for this option, including rent of a possible suitable building in close proximity to UNICEF House, are not known. Furthermore, the review of other implications of a relocation of headquarters outside New York City is still pending; other proposals, including possible cost-free offers in other countries may emerge. Under the circumstances, the Committee sees no need to make specific recommendations at this time and takes note of the options presented in the report of the Executive Director.

64. With regard to the Executive Director's request to rent an additional 15,000 square feet, the Committee recommends on the basis of the information provided by the Executive Director that UNICEF enter into a lease agreement for 7,000 square feet to accommodate 23 staff members with the indication to the landlord of a willingness to rent an additional 8,000 square feet as required. In this connection, however, the Committee recalls its recommendation in its last report that there should be zero growth of project posts at headquarters (see para. 21 above).

65. The Committee requests that the Executive Director report back to the Advisory Committee on all three options and any other developments for early consideration by the Executive Board, including a report on the identification of project functions at headquarters for transfer to the field (see para. 32 above).

Notes

1/ "United Nations Children's Fund, Revised budget estimates for the biennium 1990-1991 and budget estimates for the biennium 1992-1993 and recommendations for additional headquarters office accommodation; report by the Advisory Committee on Administrative and Budgetary Questions" (E/ICEF/1991/AB/L.10).